

MULTICULTURAL CENTER OF THE SOUTH, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 2013

MULTICULTURAL CENTER OF THE SOUTH, INC.

SHREVEPORT, LOUISIANA

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REVIEWED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

June 25, 2014

To the Board of Directors
Multicultural Center of the South, Inc.
Shreveport, Louisiana

Independent Accountant's Review Report

We have reviewed the accompanying statement of financial position of the Multicultural Center of the South, Inc. as of December 31, 2013, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

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MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2013

A S S E T S

Current assets:

| | |
|---------------------------|--------------|
| Cash and cash equivalents | 48,987 |
| Certificates of deposit | 75,000 |
| Accounts receivable | <u>2,214</u> |
| Total current assets | 126,201 |

Fixed assets:

| | |
|--------------------------------------|-----------------|
| Building | 63,160 |
| Office furniture and equipment | 94,874 |
| Collection items | 91,703 |
| Library books | 2,822 |
| Signs | 2,507 |
| <u>Less-accumulated depreciation</u> | <u>(89,264)</u> |
| Total fixed assets | 165,802 |

Other assets:

| | |
|--------------------|--------------|
| Deposits | <u>5,250</u> |
| Total other assets | <u>5,250</u> |

| | |
|--------------|----------------|
| Total assets | <u>297,253</u> |
|--------------|----------------|

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|---------------------------|--------------|
| Accounts payable | 7,047 |
| Payroll tax liability | <u>1,083</u> |
| Total current liabilities | 8,130 |

Net assets:

| | |
|--------------|----------------|
| Unrestricted | <u>289,123</u> |
|--------------|----------------|

| | |
|----------------------------------|----------------|
| Total liabilities and net assets | <u>297,253</u> |
|----------------------------------|----------------|

See Accountant's Review Report

The accompanying notes are an integral part of the financial statements.

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Support and revenue:

| | |
|---------------------------|------------|
| City of Shreveport | 200,000 |
| Grants | 50,000 |
| Fundraisers | 27,313 |
| Programs | 18,521 |
| Membership dues | 20,566 |
| Cane River | 1,348 |
| Rent | 800 |
| Interest income | 715 |
| Admissions | 2,366 |
| Miscellaneous | <u>376</u> |
| Total support and revenue | 322,005 |

Expenses:

Administrative:

| | |
|-------------------------------|---------------|
| Salaries | 109,224 |
| Payroll taxes | 9,283 |
| Insurance | <u>36,949</u> |
| Total administrative expenses | 155,456 |

Operating:

| | |
|------------------------|--------|
| Advertising | 3,904 |
| Bank charges | 126 |
| Contract labor | 10,297 |
| Depreciation | 1,619 |
| Dues and subscriptions | 1,017 |
| Equipment rental | 4,101 |
| Fees and registration | 71 |
| Grant expense | 19,528 |
| Meetings | 94 |
| Minor equipment | 602 |
| Miscellaneous | 9,562 |
| Interest expense | 73 |
| License and permits | 362 |
| Office supplies | 8,039 |
| Parking | 810 |
| Postage and delivery | 34 |

See Accountant's Review Report

The accompanying notes are an integral part of the financial statements.

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Operating: (Continued)

| | |
|---------------------------|---------------|
| Printing and reproduction | 254 |
| Program | 6,802 |
| Rent | 84,554 |
| Repairs and maintenance | 3,029 |
| Security | 739 |
| Telephone | 7,755 |
| Training | 649 |
| Travel | 2,107 |
| Utilities | <u>10,503</u> |
| Total operating expenses | 176,631 |

Professional expenses:

| | |
|-----------------------------|-----------|
| Accounting | 11,830 |
| Professional fees | <u>40</u> |
| Total professional expenses | 11,870 |

Other expenses:

| | |
|----------------------|--------------|
| Fundraising | <u>2,179</u> |
| Total other expenses | |

| | |
|----------------|----------------|
| Total expenses | <u>346,136</u> |
|----------------|----------------|

| | |
|-----------------------------|----------|
| <u>Change in net assets</u> | (24,131) |
|-----------------------------|----------|

| | |
|-------------------------------------|----------------|
| <u>Net assets-beginning of year</u> | <u>313,254</u> |
|-------------------------------------|----------------|

| | |
|-------------------------------|----------------|
| <u>Net assets-end of year</u> | <u>289,123</u> |
|-------------------------------|----------------|

See Accountant's Review Report

The accompanying notes are an integral part of the financial statements.

MULTICULTURAL CENTER OF THE SOUTH, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

| | |
|---|-----------------|
| <u>Cash flows from operating activities:</u> | |
| Change in net assets | (24,132) |
| Adjustments to reconcile change in net assets to net cash (used) by operating activities: | |
| Depreciation | 1,619 |
| (Increase) in accounts receivable | (500) |
| (Increase) in inventory | 6,703 |
| (Decrease) in refundable advancement grants | (15,000) |
| (Decrease) in accounts payable | 6,421 |
| (Decrease) in payroll tax liability | 214 |
| Total adjustments | <u>(543)</u> |
| Net cash (used) by operating activities | <u>(24,675)</u> |
| <u>Net (decrease) in cash and cash equivalents</u> | <u>(24,675)</u> |
| <u>Cash and cash equivalents at beginning of year</u> | <u>73,662</u> |
| <u>Cash and cash equivalents at end of year</u> | <u>48,987</u> |

See Accountant's Review Report

The accompanying notes are an integral part of the financial statements.

MULTICULTURAL CENTER OF THE SOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

AT DECEMBER 31, 2013

1. **Nature of Business**

The Multicultural Center of the South, Inc. (the Center) is a nonprofit corporation governed by a board of directors and administered by a professional staff. The Center's goal is to provide a resource by which the area youth can become better and more successful citizens of the twenty-first century through enhanced knowledge of the peoples of the world with whom they live and work. The Center further exists to promote the understanding and awareness of the many cultures, which have been a part of the heritage of the City of Shreveport, the State of Louisiana and surrounding states and the South in general.

2. **Summary of Significant Accounting Policies**

Basis of Presentation - The financial statements of the Center are prepared on the accrual basis. The Center is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center, and/or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See Accountant's Review Report

2. Summary of Significant Accounting Policies (Continued)

Federal Income Taxes - As a nonprofit, privately supported organization, the Multicultural Center is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Multicultural Center is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. The Multicultural Center does not expect its tax position to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Multicultural Center's accounting records.

Fixed Assets - Fixed assets are stated at cost less accumulated depreciation or amortization. Depreciation and amortization are calculated using the straight-line method. The building is depreciated over an estimated useful life of thirty nine years. Office furniture is depreciated over an estimated useful life of seven years. Equipment, library books and signs are depreciated over an estimated useful life of five years. Collection items are stated at cost and are not depreciated. See Note 6 for a further discussion of the Center's collection items.

Cash and Certificates of Deposit - For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Services - During the year the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the organization. Other donated materials and equipment are recorded as contributions in the financial statements at their estimated values at the date of receipt.

Advertising Costs - The Center expenses advertising costs as incurred. Total advertising recorded for the year ended December 31, 2013 amounted to \$3,904.

3. Commitments and Contingencies

The Center is a recipient of certain government grants which require the fulfillment of conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant. These conditions include the right to audit the grant usage by the grantor or its designee.

4. Cash and Certificates of Deposit

At December 31, 2013, cash and certificates of deposit consisted of the following:

| | <u>Cost</u> | <u>Market Value</u> |
|--|----------------|---------------------|
| Cash and cash equivalents | 48,987 | 48,987 |
| Certificates of deposit-maturity greater than 3 months | <u>75,000</u> | <u>75,000</u> |
| | <u>123,987</u> | <u>123,987</u> |

The Multicultural Center of the South, at times, maintains deposits in federally insured financial
See Accountant's Review Report

institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Center's risk is negligible.

5. Major Source of Funding

For the fiscal year 2013, the Center executed a Cooperative Endeavor Agreement with the City of Shreveport. The agreement stipulates that, in consideration of \$200,000 from the City of Shreveport, the Center shall utilize the funds to maintain and operate a multi-cultural center in downtown Shreveport. The Agreement, and the monies received from the City, mirrors that of the prior year; however, the Agreement is reviewed for approval on an annual basis. The Center's ability to operate is dependent upon the annual renewal and approval of this agreement with the City of Shreveport.

6. Collection Items

To further promote the understanding of the cultures of the area, the Center has acquired a diverse collection of art and artifacts for public display. During 2003, the City of Shreveport reimbursed the Center for artifacts purchased; however, upon the decision of the City to expend the monies to renovate the Center's new permanent location, the Center was notified that, beginning in 2004, the City would no longer provide reimbursements for such acquisitions. As of December 31, 2003, the Center had purchased, and been subsequently reimbursed by the City, for acquisitions totaling \$118,811. Per the contractual agreement of both parties, the City of Shreveport maintains full rights of ownership in these items and has granted the Center the exclusive right to use and display the items. The Center has no rights in these items and, accordingly, may not sell, transfer, modify, or exchange the items without the expressed, written consent of the City of Shreveport. Thus, these items are not reflected in the Center's financial statements.

As of December 31, 2013, the Center had acquired \$91,703 of collection items for which the City provided no reimbursement. The Center has full rights in these items, including the right to sell, modify, or exchange. In the event an item is sold, the Center is under no obligation to use the proceeds for the acquisition of other collection items. Accordingly, the Center considers these collection items to be assets and has capitalized them as such.

7. Rent

On December 20, 2012, the Center signed a rental agreement with Spring Street Rentals, LLC to lease a property located at 520 Spring Street, Shreveport, Louisiana. The agreement stipulates that the Center pay \$6,852.50 a month for the next thirty-six months. The Center incurred \$84,554 in rental expense for the twelve months ended December 31, 2013. The future minimum rental payments for the next five years are as follows:

| | |
|------|----------------|
| 2014 | 82,230 |
| 2015 | 82,230 |
| 2016 | - |
| 2017 | - |
| 2018 | - |
| | <u>164,460</u> |

8. Subsequent Events

The Multicultural Center of the South is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Multicultural Center performed such an evaluation through June 25, 2014, the date which the financial statements were available to be issued, and noted no material subsequent events.

See Accountant's Review Report

OTHER REPORTS

HEARD, McELROY, & VESTAL

—LLC—

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

June 25, 2014

To the Board of Directors
Multicultural Center of the South, Inc.
Shreveport, Louisiana

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Multicultural Center of the South, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Multicultural Center of the South, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2013 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Federal, State and Local Awards

1. Determine the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Multicultural Center of the South, Inc.'s local award expenditures for all local programs for the fiscal year follows:

| Award | Grant Year | Amount |
|---|------------|----------------|
| Caddo Commission Grant | 2013 | 10,000 |
| City of Shreveport-Cooperative Endeavor Agreement | 2013 | 200,000 |
| Act 14-Cooperative Endeavor Agreement | 2013 | 50,000 |
| Shreveport Regional Arts Council Grant | 2013 | <u>1,882</u> |
| Total expenditures | | <u>261,882</u> |

2. For the above local awards, we randomly selected six disbursements administered during the period under examination.

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3. For the items selected in Procedure 2, we traced the six disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in Procedure 2, we determined if the six disbursements were properly coded to the correct fund and general ledger account.

All of the payments were properly coded to the correct fund and general ledger account.

5. For the items selected in Procedure 2, we determined whether the six disbursements received approval from proper authorities.

All items were properly approved.

6. For the items selected in Procedure 2, for local awards, we determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed:

We reviewed the previously listed disbursements for types of services allowed or not allowed.

Eligibility

We reviewed the previously listed disbursements for eligibility requirements.

No exceptions were noted for either of the above tests.

Meetings

7. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as required by LSA-RS 42:1 through 42:12.

The Center posts the appropriate advertisement giving notice of meetings where public funds will be discussed.

Comprehensive Budget

8. For all grants exceeding five thousand dollars, we determined that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration.

We determined that the Center did provide the City's Chief Administrative Officer with a report describing the activities of the organization which had been conducted so far, as required.

The Center is not required to send a copy of the budget to the City of Shreveport as part of the Cooperative Endeavor Agreement. However, the Center has adopted a budget.

Prior Comments and Recommendations

9. We reviewed any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.
 - a. The Center has adopted a budget; however, is not required to submit such budget to the City of Shreveport Chief Administrator Office per the Cooperative Endeavor Agreement.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Multicultural Center of the South, Inc. and the Legislative Auditor (State of Louisiana), and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

MULTICULTURAL CENTER OF THE SOUTH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

I. Summary of Review Results

1. The accountant's review report noted no material modifications to the financial statements of Multicultural Center of the South, Inc.
2. No instances of noncompliance were disclosed during the review.
3. Multicultural Center of the South, Inc. is not subject to a Federal Single audit for 2013.

II. Findings -- Financial Statement Review

None.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-Public Agencies)

Dear Chief Executive Officer:

Attached is the Louisiana Attestation Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of the review/attestation engagement of Louisiana quasi-public agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. The chief executive officer of a quasi-public agency without a governing body should sign the document, in lieu of such a resolution.

The completed questionnaire and a copy of the adoption instrument, if appropriate, **must be given to the independent certified public accountant at the beginning of the engagement.** The CPA will, during the course of his engagement, perform certain agreed-upon procedures to the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the independent CPA during the course of his engagement. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)

04/25/14 (Date Transmitted)

Heard, McElroy & Vestal, LLC

333 Texas Street, Suite 1525

Shreveport, LA 71101

(Auditors)

In connection with your review of our financial statements as of 12/31/13 and for the period then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 25, 2013.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes [☒] No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [☒] No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [☒] No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [☒] No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law).

Yes [☒] No []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [☒] No []

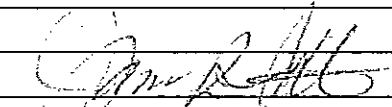
Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

| | | | |
|---|-----------|---------|------|
|  | Secretary | | Date |
| | Treasurer | | Date |
| | President | 4-25-14 | Date |